



Blackburn with Darwen Borough Council

Certification work report 2011/12

December 2012

Contents

1	Executive Summary	1
2	Results of our certification work	3

Appendices

A	Approach and context to certification	5
B	Details of claims and returns certified for 2011-12	7
C	Action plan	8

1 Executive Summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 We have certified three claims and returns for the financial year 2011/12 relating to income or expenditure of £124 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 It should be noted that most of the work reported in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. Work on the Teachers Pension Return and NNDR return was completed by the Audit Commission prior to 31 October 2012. Most of the work on the Housing and Council Tax Benefit Subsidy claim was undertaken by the Audit Commission prior to 31 October and this work was completed by us in November 2012. The findings set out in this report therefore represent the results of both our and your previous auditors work.
- 1.7 A summary of all claims and returns subject to certification and details of the certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	All claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor	Overall the Council is performing well and there are no significant matters arising from our certification of the NNDR return and Teachers Pensions Return.
Amendments and qualifications	The Housing and Council Tax Benefit Subsidy claim has been qualified for several years. Testing of the 2011/12 claim identified errors in the classification of benefit entitlement and overpayments resulting in qualification of the claim.
Supporting working papers	Supporting working papers for the majority of claims and returns were good, which enabled certification within the deadlines.

The way forward

- 1.8 We have made recommendations to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.9 Implementation of the agreed recommendations will assist the council in compiling accurate claims for certification. This will reduce the risk of penalties such as potential repayment of grant and additional fees.

Acknowledgements

- 1.10 We would like to take this opportunity to thank Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

December 2012

2 Results of our certification work

Key messages

- 2.1 We have certified three claims and returns for the financial year 2011/12 relating to income or expenditure of £124 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
Total claims/returns		3		7		
Number of claims submitted on time	100%	3	100	7	100	→
Number of claims certified on time	100%	3	100	7	100	→
Number of claims certified with amendment	0%	0	0	4	57%	↑
Number of claims certified with qualification	0%	1	33.3%	1	14%	→

- 2.3 Fewer claims were subject to certification in 2011/12 than in 2010/11. None of these claims required amendment as a result of certification. The Housing and Council Tax Benefit subsidy claim was subject to qualification in 2011/12 and 2010/11.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Where we have identified significant matters or opportunities for improvement in the compilation of claims and returns, these are summarised below and recommendations are included in the action plan at Appendix C.
- 2.6 We charged a total fee of £16,840 for the certification of claims and returns in 2011-12. In addition, your previous auditors the Audit Commission, charged a total fee of £26,455. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

2.7 The following significant findings were identified in relation to the certification of individual grant claims and returns:

Certification of the Housing Benefit and Council Tax Benefit subsidy claim

2.8 The Housing Benefit and Council Tax Benefit subsidy claim is a high value and complex claim. Certification of the claim involves testing a sample of benefit cases to confirm that the Council has paid the correct amount of benefit to claimants and claimed the correct amount of subsidy due from the Department of Work and Pensions (the DWP).

2.9 The Housing and Council Tax benefit subsidy claim has been qualified for several years. In 2009/10 and 2010/11 the claim was qualified in three main areas:

- Incorrect classification of rent allowance overpayments;
- Incorrect classification of excess council tax benefit; and
- Failure to correctly apply the single person discount to council tax benefit awards.

2.10 In July 2011 the Council undertook an exercise to identify claims where the single person discount should have been applied to council tax benefit awards and has amended the claims retrospectively. It is pleasing to report that no errors have been identified in the 2011/12 claim relating to single person discount.

2.11 The 2011/12 claim has again been qualified in two main areas:

- Incorrect classification of rent allowance overpayments; and
- Incorrect classification of excess council tax benefit.

2.12 The number of errors in rent allowance overpayments is broadly similar to last year, however the number of errors relating to excess council tax benefit has reduced, indicating that improvements have been made in this area.

2.13 The Council receives different levels of subsidy depending on the classification of the overpayment or excess benefit, and therefore it is important that all amounts are correctly identified and classified. Errors in the classification of overpayments and excess benefit can result in the Council claiming the incorrect amount of subsidy from the DWP and may result in the Council receiving less subsidy than originally anticipated.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	£71,136,454	No	Yes	£37,646	£38,988	
National non-domestic rates return	£43,422,615	No	No	£2,290	£1,558	
Teachers' pensions return	£10,051,816	No	No	£3,216	£2,749	
Total	£124,610,885			£43,152	£43,295	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing Benefit and Council Tax Benefit Subsidy Claim	The Council needs to improve the accuracy of overpayment classifications to ensure that the correct amount of subsidy is claimed from the DWP. For example, enhancements to quality checks on all high value overpayments should help to minimise the value of any errors in overpayment classifications, and minimise the potential for loss of subsidy.	H	The council has engaged a benefits assessor through the Matrix agency agreement for six months to undertake quality checks on claims and review procedures and processes for high value claims.

www.grant-thornton.co.uk

© 2012 Grant Thornton UK LLP. All rights reserved.

"Grant Thornton" means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication